

COUNCIL ON HOUSING  
Public Session  
Sheraton Dover  
Dover, DE  
December 10, 2008

**Action Items**

• **Marcella's House/Judy's House**

On December 10, 2008, John Walker, Chair, called to order the Public Session of the Council on Housing at 10:37 a.m. In addition to Mr. Walker, the following Council members were present:

Roseann Harkins	Bill Pearson
Hugh Leahy	Ruth Sokolowski
Russ Huxtable	Vincent White
Connie Louder	Norma Zumsteg
Connie McCarthy	

The following Council member was absent and excused from the meeting:

Ralph Peters

The following persons also attended the meeting:

Lynda Blythe, Administrative Specialist III, Delaware State Housing Authority (DSHA)  
Calvin Bonniwell, Housing Project/Loan Manager, DSHA  
Steve Gherke, Construction Project Manager  
Matthew Heckles, Executive Assistant, DSHA  
Saundra Johnson, Director, DSHA  
Jerry Jones, Housing Finance/Development Administrator, DSHA  
Timothy McLaughlin, Deputy Director, DSHA

Guests present:

Dr. C.T. Blaisdell  
Thomas McGonigle, Esq., WolfBlock, LLP  
Cathy McKay, Connections CSP, Inc.  
Gina Miserendino, Delaware Housing Coalition  
Michael Skipper, WSFS  
Glenn Worgan, Delaware Valley Development Group, LLC

## **APPROVAL OF MINUTES**

Mr. White made motion to approve the November 12, 2008 Minutes as written. Mr. Pearson seconded the motion and the minutes were approved unanimously.

## **HDF REPORT**

Mr. Jones gave a review of the attached HDF report noting:

- Middletown Trace (Item 97) is scheduled for permanent closing December 19<sup>th</sup>.
- Bethel Villa Apartments (Item 109) is scheduled for construction closing December 15<sup>th</sup>.
- West End/Pavilion (Item 117) and Kensington Lane (Item 118), which were approved in November, have now gone from application to committed status.
- Marcella's House/Judy's House (Item 119) is being presented to Council at this meeting.

Ms. Sokolowski asked about the status of Diamond State CLT (Item 120). Mr. Jones responded the item is an application for a community land trust funding of \$90,000 which will probably be presented to Council in January-February 2009.

## **MARCELLA'S HOUSE/JUDY'S HOUSE FUNDING REQUEST**

Ms. Zumsteg reported the Loan Review Committee had met and stated the request is somewhat unique in that DSHA will be in a first mortgage position for permanent financing. Ms. Zumsteg further stated the Committee did have numerous questions regarding the structure of the request but they had been answered satisfactorily and it was the Committee's decision that the request be presented to the full Council for consideration. Ms. Sokolowski asked if it was the Committee's recommendation that the request be approved. Ms. Zumsteg responded that it is not the duty of the Committee to recommend but, rather, to review requests to determine their readiness to be presented to Council. Mr. White stated he would like a written summary of the Loan Review Committee's comments for each project presented to Council and would be inclined to table this request at this time. Ms. Zumsteg, responding to Mr. White's request, explained the Committee focused on two main questions: 1) as to the structure of the funding where DSHA is involved in both the construction and permanent financing, which is different from other requests generally seen by Council; and 2) Mr. Leahy's request for clarity of the individuals involved in the project, i.e. the development team and if that team had met DSHA standards.

Using the attached presentation, Mr. Jones reviewed the funding request for Marcella's House/Judy's House noting:

- Connections CSP, Inc. and Delaware Valley Development Company are co-developers and Connections will be the General Partner.
- The request is for HDF funds totaling \$2.75 million for 12 months.
- Funds for construction will also come from WSFS Bank, City of Wilmington HOME Program and Tax Credits.

- Permanent financing will be provided by HDF and City of Wilmington HOME Program.
- This is the first homeless shelter of this size DSHA has funded.
- Both federal and state dollars are needed to fully fund the request due to limited cashflow.
- Equity investors are not available at this time due to the current downturn in the equity market but DSHA staff is hopeful that an investor will be found in early 2009.

Ms. Sokolowski asked if she was correct in assuming that Council would be voting on something that would not occur until equity credits are factored in to the funding. Mr. Jones replied basically, yes, that was correct; however, the credits must be committed at this time or they would be lost. Mr. Jones continued that, should the project not be fully funded in the 2009 time frame allotted, the developer could return the credits which would be held for them for two years.

Continuing the review of the project, Mr. Jones noted:

- The development will be comprised of 31 single efficiency units.
- All common spaces and units will be handicap accessible with two units fully adapted for the handicapped.
- Both sites will have community rooms, central washer and dryers, a security system, internet access in each unit and other amenities as outlined in the presentation.
- The Tax Credit reservation is for \$384,175 annually estimated to eventually bring in over \$3 million.
- The development would receive extensive services from the Department of Health and Social Services.
- Supportive services are valued at approximately \$7,200 per tenant annually.

Mr. Jones explained that Executive Order 65, for the Delaware Interagency Council on Homelessness (DICH), contained five recommendations which DSHA and others have begun to address as follows:

1. Develop new housing for persons chronically or at-risk for chronic homelessness.... Marcella's House/Judy's House will be the first new housing for homeless in Delaware in recent years.
2. Remove barriers to accessing existing affordable housing.... the Step-Up Program has been funded twice by the HDF.
3. Improve discharge and transition planning, this primarily focuses on transition of the prison population which has not yet been addressed to-date but the prison system will be addressing this issue.
4. Improve supportive services for persons who are homeless....DHSS has received HUD funding annually to fund these services. Many sites funded by DSHA use these funds.
5. Enhance homeless data collection....the Homeless Planning Council handles this activity and has been funded by the HDF in recent years.

Mr. Pearson requested an elaboration on the data collection efforts. Ms. Johnson replied that DSHA uses an approved data collection system, Homeless Management Information System

(HMIS), managed by the Homeless Planning Council. The data is collected, analyzed and published throughout the state and becomes a part of a larger report to the federal government for federal funding requests.

Mr. Jones continued with a review of Sources and Uses of Funds highlighting:

- DSHA will provide approximately 45% of the permanent funding.
- As of August 2008, both properties had been acquired for a total cost of \$1.2 million.

Mr. White asked the contract price, purchaser and entity of Judy's House and name of the project developer. Ms. McKay responded the price was \$825,000, the purchaser/entity was Connections and Mr. Jones replied the developer is a joint venture between Connections and Delaware Valley Development Company. Ms. Sokolowski asked if the acquisition price listed was the actual price paid for the two properties, Mr. Jones responded that it is. Mr. White questioned what comprised the Legal/Organizational line item of \$150,000. Mr. Jones stated it covered the creation of the partnership, legal fees for closings, documentation and negotiations. Mr. White also asked if the Loan Review Committee reviewed the appraisal and market study. Mr. Jones responded the Committee had not requested those items but the information is included as part of the application, reviewed by staff and is a condition for funding. Mr. White also asked for an explanation of the Impact/Permit Fees. Mr. Jones responded the wording is standard language on the application that covers both items. Mr. White also asked if there were vacancy fees on the properties and the zoning status. Ms. McKay responded there were no vacancy fees and the zoning is C-4. Mr. White asked how much variation in the Sources and Uses is anticipated. Mr. Jones responded changes in costs must be justified, the construction contract is put out for bid and costs differentiation would be covered by the contingency fee or developer's fee. Mr. White asked the difference between this project and the Step-Up Program. Ms. Johnson responded the Step-Up Program is a financial subsidy program while this funding is for actual building. Mr. Walker stressed that all project's documents are available for Council's review at any time.

Mr. Jones continued that, with regard to permanent financing, DSHA would be in a unique first mortgage position but it would be deferred; and, as a result of staff's calculations, in order to maintain a positive cash flow for 20 years, the net income could not support an amortizing loan. DHSS will provide \$326,000 for the first year and must continue to support the project to make a 20-year positive cash flow viable. Mr. Jones assured Council the calculations were valid, provided the state and federal dollars are available; however, he cautioned, should the federal funds be cut, many of DSHA's projects would not be viable. Ms. Louder asked if Connections had entered into a contract with DHSS. Mr. Jones responded yes, and one of DSHA's conditions will be that the developer enter into a Memorandum of Understanding (MOU) with DHSS that will show support for financing the facility for the long term.

Assumptions highlighted by Mr. Jones were:

- A vacancy rate of 5%.
- The management fee is based on 2% of operating income which is lower than normal because fees are being paid by other sources.

- Operating expense of \$4,914 per unit is in line with other projects.
- Monthly rent is projected to be \$286 per unit with gap funding for operations being provided by DHSS.

It is the recommendation of staff that the construction loan of \$2.75 million for 12 months and a deferred permanent loan of \$2.6 million for 30 years be approved.

Ms. Zumsteg moved that Resolution No. 380 be approved, Ms. Harkins seconded the motion. Ms. Sokolowski asked how other funding receipts for the project would be applied should they become available and if those funds should be included as a stipulation to HDF funding. Mr. Jones explained other funds would be first applied to meeting the equity requirements, if an equity shortfall existed, and to reduce the HDF funding thereafter. This stipulation could be included in the loan agreement, and added to the resolution according to Mr. Jones; however, the resolution remained unchanged. The motion was passed with the exception of Mr. Pearson who abstained.

A point of order regarding the role of the Loan Review Committee and the subsequent presentation of funding requests to the Council was raised by Mr. Leahy. Mr. McGonigle explained the Council had agreed, at a retreat held in August 2006, that the Loan Review Committee would review all funding requests, determine if the request was a viable proposition and, if so, recommend it presented to Council. Mr. McGonigle continued that, should Council wish to revise the process, they should discuss this at a later time to determine exactly how they wish to proceed; and, at that time, he would explain to Council how their decision should be handled legally. Mr. Walker stated Council will work on the subject in the new year.

## **DIRECTOR'S REPORT**

- Ms. Johnson attended NCSHA meetings on December 8<sup>th</sup> and 9<sup>th</sup> in Washington, DC and discussions revolved around: 1) the first stimulus package and its benefits and tools provided to the states and, 2) the second stimulus package, currently being developed, as to what should be included and how it should be structured as well as questions regarding foreclosure activity.
- the Neighborhood Stabilization Program was summarized by utilizing the attached handout which includes the basic premise, timetable and allocations of the program.
- a Relief Pitcher's Event meeting will be held in Dover on December 12, 2008 and all Council members were urged to attend.
- Ms. Johnson thanked Ms. Louder for speaking at the state's budget hearing held November 18, 2008.
- Mr. Heckles and Mr. Croft; along with Ms. Johnson, had met with the incoming Governor's transition team and reviewed DSHA's finances from all the government programs and, in particular, the bond program. Ms. Sokolowski asked that more information be given, at a later date, regarding the bond liquidity market and what steps need to be taken to continue bond financing.

Mr. Pearson stated the Operations Committee will discuss the better use of current technology for sharing information with Council and present their findings at a later date.

## **OTHER BUSINESS**

During the November 11<sup>th</sup> meeting, the Communications Committee presented a list of items they recommended be included in the Annual Report. Using the attached handout, Ms. McCarthy reviewed the Communications Committee update on those recommendations and noted they were broken down into three sections: Item 1 - recommendations approved by the Committee (but must be approved by vote of the Council), Item 2 - recommendations requiring further discussion; and, Item 3 - recommendations removed. Ms. McCarthy, Mr. Walker and Mr. White met with Governor Minner December 5<sup>th</sup> at which time they stressed the need for the Governor's office to produce a long-range and comprehensive housing policy as noted in Item 1.1 of the handout. Mr. Walker asked for approval of Item 1 and Ms. Zumsteg seconded the request. After discussion of the items, Council unanimously approved Item 1.3 be amended to read "...integrating that system with state, other public and non-profit operated client management systems". Council then unanimously approved Item 1, in its totality, as amended.

Mr. Walker asked that Item 3 be approved and Ms. Harkins seconded the request. Council unanimously voted Item 3 be approved as written.

Ms. McCarthy and Ms. Harkins stated Item 2 are those recommendations to be discussed by Council at a later date. Mr. Leahy asked if there were differences of opinion in Item 2.2. Mr. White responded his objection to 2.2 was that if the savings were not specifically reallocated for affordable housing that he would not vote for it. Council agreed to discuss Item 2 in its entirety at a subsequent meeting.

The meeting was suspended at 12:35 p.m. and the annual holiday luncheon was held. The following guests also attended the luncheon and remainder of the meeting:

Jeneen Cappie, WolfBlock, LLP  
Doug Croft, Assistant Director Financial Management  
George Danneman, WolfBlock, LLP  
Cindy Deakyne, Housing Asset Manager  
Susan Eliason, Housing Asset Management Administrator  
Emily Genoese, Building Support Systems Engineer  
Tina Hardin, Chief of Community Relations  
H. James Loescher, Housing Project/Loan Manager, DSHA  
Corinne Todd-Grieve, Housing Project/Loan Manager

The meeting reconvened at 1:25 p.m. Mr. Walker presented Resolution #381 (copy attached) to Ms. Harkins for her 14 years of service on the Council and Ms. Johnson presented Ms. Harkins with a tribute from Governor Minner. A number of Council members also made comments of appreciation to Ms. Harkins for her Council service and commitment to support affordable housing.

### **ADMINISTRATIVE MATTERS**

The next meeting of the Council will be January 14, 2009, 2:00 p.m. at Liberty Court in Dover.

### **ADJOURNMENT**

Motion was made by Ms. Zumsteg and seconded by Mr. Pearson that the meeting be adjourned. Upon unanimous approval, the meeting adjourned at 1:45 p.m.

Respectfully submitted,

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Lynda T. Blythe